When to go long

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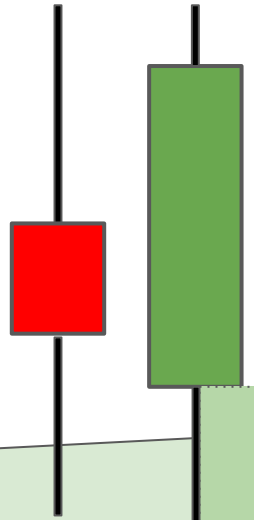
Bullish Engulfing

The Bullish Engulfing pattern is a major reversal pattern comprised of two opposite colored bodies. The Bullish Engulfing Pattern is formed after a prolonged decline. The first day is a down day (red candle). The second day opens lower than the previous day's close and closes over the previous day's open.
Thus, the green candle completely engulfs the previous day's red candle.

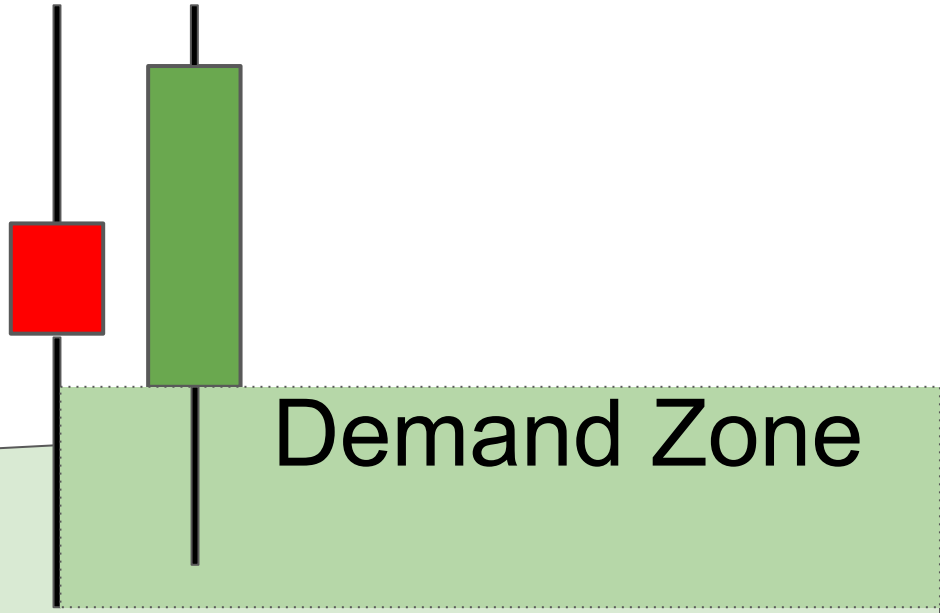


Demand Zone

Support of the Green Demand Channel

Bullish Engulfing

Two lower tails of a Bullish engulfing reversal pattern together create a lasting Demand Zone that works as support for the following move down



Support of the Green Demand Channel

When to go long

Entry #1

*The **Bullish Engulfing** pattern is a good trigger to go long*

Protective stop loss

Entry #1

*The **Bullish Engulfing** pattern is a great trigger to go long*

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When to go long

Very often big range days leave bulls exhausted. They take pause and let bears try to produce a micro pullback
As you can see, bears produced a four day pullback that could not erase even half of the gain achieved by bulls on the ***range expansion day***

STMP, Daily, June 2020

When to go long

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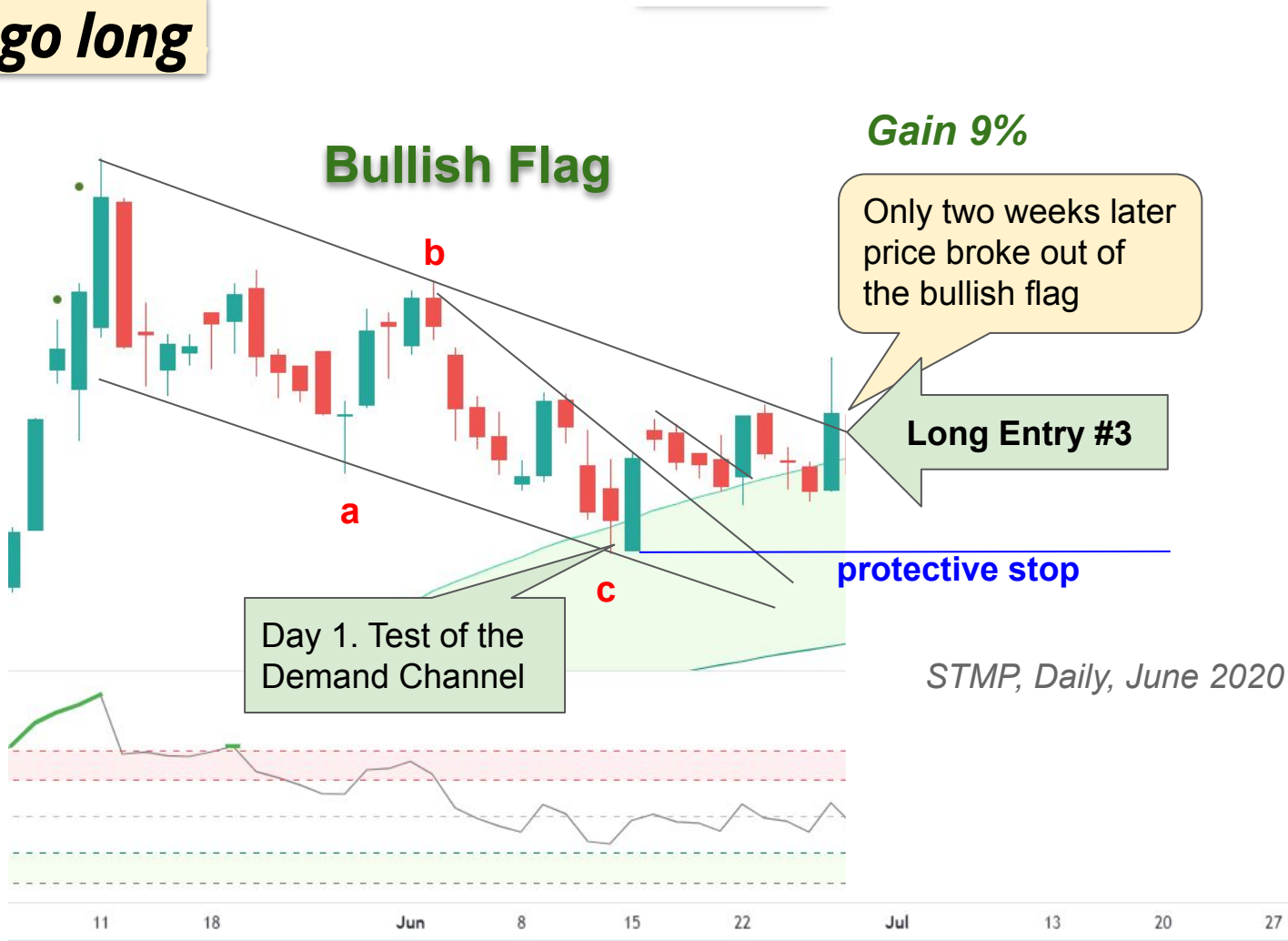

Takeaways

- The Bullish Engulfing pattern is a good confirmation that trend has changed and is a reasonable trigger to go long

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- The Bullish Engulfing pattern is a good confirmation that trend has changes and is a reasonable trigger to go long

- Very often even a strong reversal signal like Bullish Engulfing will not produce immediate bullish follow through. The reason for that is strong trending days with relatively large range leave bulls exhausted. They take pause and let bears to produce a micro pullback

  It is normal to see bears to produce a pullback that would erase up to 50% of the gain achieved by that range expansion day. We call such a pattern that comprises of a big up trending day followed by a pullback erasing up to 50% of the preceding rally the ***"Half-n-go"*** long setup.